

Message Text

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ACTION EUR-12

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FM AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ECON, PL

SUBJECT: POLISH FARMERS TO RECEIVE HIGHER PRICES FOR PORK
AND MILK PRODUCTION

1. IN AN EFFORT TO STIMULATE PROK AND MILK PRODUCTION, THE POLISH GOVERNMENT HAS RAISED THE PRICES IT PAYS FARMERS FOR SWINE AND MILK EFFECTIVE AUGUST 11. ACCORDING TO TRYBUNA LUDU, FARMERS WILL BE PAID 11 PERCENT MORE FOR PORK (AN INCREASE OF 3 ZLOTYS PER KILOGRAM OF LIVE WEIGHT) AND 14 PERCENT MORE FOR MILK. THE MILK PRICE INCREASES WILL BE INTRODUCED IN TWO STEPS: AUGUST 11, FARMERS BEGAN RECEIVING AN ADDITIONAL 30 GROSZY (1PP GROSZY EQUAL 1 ZLOTY) PER LITER; THE PURCHASE PRICE WILL RISE BY 20 GROSZY PER LITER NOVEMBER 1, FOR A TOTAL INCREASE OF 50 GROSZY PER LITER. THE COST OF THESE INCREASES TO THE STATE BUDGET WILL BE 3.4 BILLION ZLOTYS IN 1975 AND 9.8 BILLION ZLOTYS IN 1976, ACCORDING TO THE TRYBUNA REPORT.

2. COMMENT: ASSUMING THE PRICE INCREASES ARE SUFFICIENT TO STIMULATE PRODUCTION, THEIR SHORT-RUN GOAL IS EVIDENTLY TO PREVENT A FURTHER DECLINE IN THE SWINE POPULATION AND TO HALT A SHIFT FROM SWINE AND DAIRY CATTLE PRODUCTION TO OTHER

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TYPES OF FARMING.

3. A SHORTAGE OF FEED MATERIALS ON PRIVATE FARMS, WHICH ACCOUNT FOR THE MAJORITY OF POLAND'S SWINE PRODUCTION, HAS BROUGHT ABOUT A REDUCTION IN THE SWINE POPULATION DURING 1975. POTATOES, THE BASIC FEED FOR HOGS IN POLAND, ARE LIKELY TO CONTINUE IN SHORT SUPPLY, AS 86,000 FEWER HECTARES WERE SOWN TO POTATOES IN 1975 THAN IN THE PREVIOUS YEAR. THE PRESENT ROUND OF INCREASES, WHICH FOLLOWS CLOSELY ON THE HEELS OF A POLISH LIVESTOCK CENSUS, IS APPARENTLY INTENDED TO PERSUADE FARMERS THAT SWINE PRODUCTION WILL BE PROFITABLE DESPITE THE LIKELIHOOD OF HIGHER FEED PRICES.

4. MILK WAS IN EXTREMELY SHORT SUPPLY THIS SPRING. ALTHOUGH PRODUCTION HAS INCREASED, IT DOES NOT APPEAR TO BE SATISFYING MARKET DEMAND. THE SHORTAGE HAS BEEN OFFICIALLY ATTRIBUTED TO LACK OF FEED MATERIALS, WHICH IS UNDOUBTEDLY PARTIALLY CORRECT, BUT WE HAVE ALSO HEARD REPORTS THAT DAIRY FARMERS HAVE BEEN SHIFTING TO BEEF PRODUCTION IN SEARCH OF HIGHER PROFITS. HIGHER MILK PRICES ARE PRESUMABLY INTENDED TO CUSHION THE IMPACT OF HIGHER FEED COSTS AND TO COUNTERACT THE MOVE AWAY FROM DAIRY FARMING.

5. SURPRISINGLY, PRESS ACCOUNTS OF THE PRICE INCREASES NEITHER AFFIRM NOR DENY THAT THE HIGHER COSTS WILL BE PASSED ON TO POLISH CONSUMERS. THE PRICE FREEZE ON BASIC FOOD ITEMS, WHICH THE GOVERNMENT EXTENDED THROUGH 1975, WILL CERTAINLY BE REVIEWED BEFORE THE PARTY CONGRESS, AND IT IS INTERESTING THAT EMPHASIS IN THIS INSTANCE HAS BEEN PLACED ON THE COST TO THE STATE OF THESE SUBSIDIES RATHER THAN ON THE POLICY OF INSULATING CONSUMERS FROM PRICE INCREASES.

DAVIES

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